

Public Sector Accounting Standards (PSAS) - 2025 Update

Standards Effective in 2025

Revised Conceptual Framework

In 2010, the Board initiated a project to review and update the conceptual framework in the PSA Handbook with the following objectives:

1. Confirm its continued relevance; and
2. Ensure it accurately reflects the public sector environment.

The revised conceptual framework guides the Board in developing new standards and amending existing ones. It also assists public sector entities in developing accounting policies when no specific PSA Handbook standard applies.

The following summarizes the topics covered in the ten chapters of the revised conceptual framework.

Chapter 1	Introduction to the Conceptual Framework
Chapter 2	Characteristics of Public Sector Entities
Chapter 3	Financial Reporting Objective
Chapter 4	Role of Financial Statements
Chapter 5	Financial Statement Foundations
Chapter 6	Financial Statement Objectives
Chapter 7	Financial Statement Information - Qualitative Characteristics & Related Considerations
Chapter 8	Elements of Financial Statements
Chapter 9	Recognition & Measurement in Financial Statements
Chapter 10	Presentation (incl. disclosure) Concepts for Financial Statements

The revised framework will replace the existing conceptual framework - currently Section PS 1000, *Financial Statement Concepts*, and Section PS 1100, *Financial Statement Objectives*. It becomes effective for fiscal years beginning on or after April 1, 2026, with earlier adoption permitted and is to be applied prospectively.

Impact to your organization

When developing or revising entity-specific accounting policies, entities should ensure alignment with the revised conceptual framework and establish a plan to update existing entity specific policies for consistency.

In 2025, the Public Sector Accounting Standards Board (PSAB or the Board) continued to advance key initiatives to enhance public sector accounting standards to better meet evolving stakeholder needs. This publication provides an overview of recently issued and amended guidance, as well as significant ongoing projects that may impact your organization.

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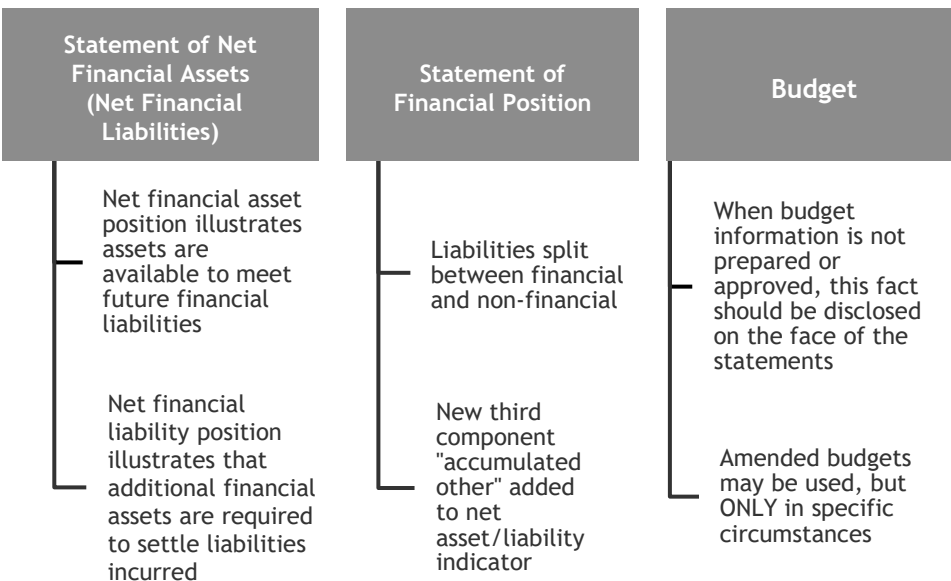


New Reporting Model

In connection with PSAB's issuance of the revised Conceptual Framework, the Board has also released Section PS 1202, Financial Statement Presentation - a new reporting model which builds on existing Section PS 1201 of the same name to better support the preparation of understandable financial statements. Below are some key changes highlighted.

Statement of Financial Position	➔	Significantly restructured
Statement of Net Financial Assets (Net Financial Liabilities)	➔	New statement displaying revised calculation of net debt
Statement of Change in Net Financial Assets/ Net Debt	➔	Removed
Statement of Changes in Net Assets (Net Liabilities)	➔	New statement showing reconciliation between opening and closing balances of each component of net assets
Statement of Cashflow	➔	Restructured that financing activities separated from other items
Budget	➔	New budget requirements

$$\text{Total Assets} - \text{Total Liabilities} = \text{Net Asset/Liability Indicator}$$



The new standard and related consequential amendments are effective for fiscal years beginning on or after April 1, 2026. Early adoption is permitted if the entity adopts the revised Conceptual Framework at the same time.

Impact to your organization

Understanding the New Reporting Model is critical, as it will help assess the potential impact on your organization. The model represents a significant change in how financial statements are presented to users. Key considerations for entities include:

- Software/templates - consider whether changes or updates are required to reflect new reporting requirements
- Classification of liabilities as financial or non-financial may in some cases be challenging.
- Requirements to restate prior year figures for consistency

Getting Ready

Applying new or amended standards can be complex and may impact the scope and nature of assurance procedures for your audited or reviewed financial statements. Your assurance provider may seek further insight into how your organization has implemented or plans to implement these standards.

Early preparation and engagement will help ensure a smooth transition to PS 1202 and the revised Conceptual Framework

Resources

Click [here](#) to access additional guidance from the FRAS Canada website.

The Future of PSAS

PSAB continues to advance several projects focused on enhancing public sector standards to address stakeholder needs both today and in the years ahead. The following provides a brief overview of select projects.

Government Not for Profit Strategy

As part of its 2017-2021 Strategic Plan, the Board assessed the needs of government not-for-profit organization (GNFPO) financial statement users to determine if certain public sector accounting standards should apply differently.

Following consultations (2019-2021), the Board decided to integrate the PS 4200 series into the PSA Handbook, with modifications as needed. The **first project**—incorporating PS 4230 and PS 4240 into PS 3150 *Tangible Capital Assets*—is now complete, and the final amendments have been published into the PSA Handbook in May 2025 and are effective for fiscal years beginning on or after **April 1, 2030** with early adoption permitted.

The main features of these amendments are:

- ✓ Minor amendment to the definition of tangible capital assets
- ✓ New guidance for identifying collections
- ✓ Enhanced disclosures on works of art, historical treasures, and collections
- ✓ Clarified accounting for tangible capital assets purchased below fair value, and contributed materials and labour in asset construction
- ✓ Withdrawal of Sections PS 4230 and PS 4240 upon adoption of the amended PS 3150

Project to Watch!

The **second project** focuses on reviewing the following sections to determine whether amendments should be proposed to relevant sections of the PSA Handbook:

- Section PS 4210, *Contributions - Revenue Recognition*
- Section PS 4220, *Contributions Receivable*
- Section PS 4200, *Financial Statement Presentation by Not-for-Profit Organizations and*
- Section PS 4270, *Disclosure of Allocated Expenses by Not-for-Profit Organizations*

The project will also develop enhanced guidance on endowments for all public sector entities.

The Board is currently gathering information and expects to issue an Exposure Draft in 2027 related to this project.

What you should know...

The amendments related to tangible capital assets are incorporated into Section PS 3150 - *Tangible Capital Assets* already but Sections PS 4230, *Capital Assets held by Not-for-Profit Organizations* and PS 4240, *Collections held by Not-for-Profit Organizations* are still applicable unless early adoption occurs.



Get Involved!

GNFPOs are encouraged to stay informed on this project by visiting the related [project page](#) on the FRAS Canada website and providing feedback where possible.

Employment Benefits Project

PSAB has been undertaking a multi-phase project on employee benefits to reflect new types of pension plans and updates to accounting concepts since Sections PS 3250, *Retirement Benefits*, and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits*, were issued decades ago.

In the first phase, PSAB issued an Exposure Draft in July 2021 proposing to replace these sections with Section PS 3251, *Employee Benefits*. Aligned with PSAB's International Strategy, the proposal draws on IPSAS 39, *Employee Benefits*, with adjustments where principles conflict with PSAB's Conceptual Framework or are unsuitable for the Canadian public sector. This phase focuses on deferral provisions and discount rate guidance. In the future the Board may address non-traditional pension plans and related topics.

Following stakeholder feedback, PSAB revised its proposals and issued a Re-Exposure Draft in October 2024 and is currently deliberating feedback. For more details on this project visit the [project page](#) on FRAS Canada or refer to the Public Sector Accounting Standards (PSAS) Update 2024 [publication](#).

Additional Resources

Although the following sections have been in place for some time, they can give rise to complex issues. Public sector entities should remain alert to new transactions to ensure proper accounting treatment. The table below includes links to resources to help navigate these transactions.

Section PS 3160 - <i>Public Private Partnerships</i>	Public Private Partnerships (P3s): A Practical Approach to Section PS 3160
Section PS 3280 - <i>Asset Retirement Obligations</i>	Asset Retirement Obligations (ARO): A Practical Approach to Section PS 3280
Section PS 3400 - <i>Revenue</i>	Revenue: A Practical Approach to Section PS 3400
Section PS 3450 - <i>Financial Instruments</i>	A Guide to Accounting for Financial Instruments in the Public Sector

Additional resources to assist you can be found on our [PSAS Knowledge Centre](#).

Project to Watch!

Intangible Assets Project

In September 2023, PSAB approved a project on intangible assets. The first phase will develop a comprehensive standard on accounting for intangible assets to replace the interim guidance in Public Sector Guideline (PSG) 8, *Purchased Intangibles*.



This standard will address a gap in the PSA Handbook by providing guidance on the definition, recognition, measurement, and disclosure of both purchased and internally developed intangible assets.



The standard is being developed in line with PSAB's International Strategy, using the principles in IPSAS 31 *Intangible Assets* and will be adjusted if they conflict with PSAB's framework or are unsuitable for the Canadian public interest.

Public Sector Accounting Discussion Group (PSADG)

The PSADG is a public forum that meets twice a year to discuss the application of the PSA Handbook and emerging public sector financial reporting issues. Comprising preparers, auditors, and users, the group advises the Board on areas of concern. While it does not issue authoritative guidance, its meeting summaries provide valuable insights into applying the standards and can be found [here](#).



Public sector entities can stay informed on PSADG discussions through the [searchable database](#) on the FRAS Canada website, which includes a wide range of past meeting topics. The PSADG also welcomes issue submissions from public sector entities and professionals in the field, which can be made through the submission page on the [FRAS Canada website](#).

Project to Watch! Intangible Assets Project

The Board issued an Exposure Draft in February 2025 and is currently deliberating feedback received.



The second phase of the project will focus on developing a guideline for accounting for cloud computing arrangements in the Canadian public sector. PSAB is currently reviewing feedback from a preliminary public survey to determine next steps. For more information on this project [click here](#).

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